



COUNCIL AGENDA: 5/18/04
ITEM:

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ralph G. Tonseth

**SUBJECT: RECOMMENDATION TO AMEND
AIR SERVICE CONSULTANT
AGREEMENT**

DATE: May 12, 2004

Approved

Date

COUNCIL DISTRICT: Citywide

REASON FOR ADDENDUM

An unanticipated schedule change has resulted in the need for additional funds and an extension to the Airport's air service consultant contract in order to complete air service and economic data collection and analysis 30 days earlier than originally planned. The proposed first amendment will allow Airport and Office of Economic Development staff to complete the work in an effort to regain lost air service and to obtain important new domestic and international routes.

A competitive RFQ process to secure a new air service consultant agreement was recently completed. Staff has placed an item on the May 25 Council Agenda to recommend the negotiation of a new air service contract to begin July 1, 2004. This amendment to the current agreement will ensure that this important work can be completed during the period of negotiation of a new air service consultant agreement.

RECOMMENDATION

Approval of a first amendment to the agreement with The Campbell-Hill Aviation Group, Inc. for air service development consultant services for Norman Y. Mineta San José International Airport, increasing the compensation by \$30,000 in the current fiscal year (final option year) for a total amount not to exceed \$220,000, and extending the term of the agreement from June 30, 2004 to July 31, 2004.

BACKGROUND

Air service development consulting is critical to the Airport's overall air service program, and to meeting the Aviation CSA's goal of being the region's first choice for air transportation services. The City has made the acquisition of new air service, particularly international service, an

important focus of its economic development plan. Utilizing consultant services for air service development has resulted in numerous successes for the City over the past several years, including international service to Paris and Taipei. These destinations were subsequently discontinued after the events of September 11, 2001.

On December 12, 2000, Council approved an agreement with Campbell-Hill Aviation Group, Inc. to provide air service development consulting services to the City. The agreement was for an initial term from January 1, 2001 through June 30, 2001, with authorization for the Director of Aviation to exercise up to three (3) one-year options to extend the agreement through June 30, 2004. The Director of Aviation exercised each of the three options, and the agreement is currently set to expire on June 30, 2004.

ANALYSIS

San José's first ever Taipei, Taiwan air service began in April 2001. Because of the terrorist attacks and the economic slowdown, the route was discontinued shortly after September 11th, 2001. Regaining the Taipei flight remains a top air service objective. Taipei service, along with San José's Tokyo service, play a critical role in the Valley's ability to compete globally.

The commercial airline industry is in a continual state of flux. Economics and competition among carriers contribute to an ever-changing industry. Airline cut backs have resulted in the majority of airlines not having the resources or staff to conduct the type of analysis that is necessary to regain service and establish new routes. Today, airports and communities fill the gap by conducting the research airlines need to make air service decisions. Airports must solicit air service from carriers that have not otherwise identified their market for air service.

The unanticipated schedule change described above has resulted in the need for staff to provide airlines with information prior to the previously scheduled date. Granting this contract amendment will allow staff to complete the necessary work in an effort to regain lost air service and to obtain new domestic and international routes that are important to our region's economy.

PUBLIC OUTREACH

N/A

COST IMPLICATIONS

Compensation for the initial term of the agreement was \$99,700, and compensation for the first, second and third options years was \$160,000, \$190,000 and \$190,000 respectively, for a total compensation to date of \$639,700. The proposed first amendment will add additional compensation not to exceed \$30,000, for a total compensation not to exceed \$220,000 in the current fiscal year (third option year), and \$669,700 for the contract term.

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COORDINATION

This amendment and memorandum have been coordinated with the City Attorney's Office and City Manager's Budget Office. The City's air service development program is a partnership between the Airport and the Office of Economic Development.

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	RC #	Total Appn.	Amt. for Contract	Proposed Budget Page 2004-05	Last Budget Action (Date, Ord. No.)
523	0802	Non-Personal/ Equipment	131110	\$35,926,753	\$220,000	Page XI-3	2/17/2004 Ord. No. 27074
		Total		\$35,926,753	\$220,000		

CEQA: Not a project

RALPH G. TONSETH
Director of Aviation